Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)	
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Custom Teleconnect, Inc.)	File No.: EB-IHD-18-00027483
)	NAL/Acct No.: 201932080009
)	FRN: 0005026257
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FORFEITURE ORDER

Adopted: December 2, 2021 Released: December 2, 2021

By the Chief, Enforcement Bureau:

I. INTRODUCTION

1. The Federal Communications Commission's (FCC or Commission) rules require inmate calling services (ICS) providers to file a report with the Commission on April 1st of each calendar year, detailing its provision of interstate, intrastate, and international ICS for the prior calendar year (Annual ICS Report). These reports and certifications are used by the Commission to meet its statutory responsibilities regarding ICS rates and practices. On March 27, 2019, the Enforcement Bureau (Bureau) issued a *Notice of Apparent Liability (NAL)* for \$3,000 against Custom Teleconnect, Inc. (CTI or the Company) for apparently failing to timely file an accurate Annual ICS Report and certification, in violation of the Commission's rules. CTI filed a Response to the *NAL* on April 26, 2019 which requested the withdrawal of the *NAL*, reversal of the preliminary conclusions therein, and cancellation of the proposed forfeiture. After reviewing the record in this matter, and for the reasons discussed below, we find that it is not appropriate to withdraw, reverse, or cancel the *NAL*, and we affirm the \$3,000 forfeiture.

II. BACKGROUND

2. Legal Framework. Section 64.6060(a) of the Commission's rules requires ICS providers to annually file by April 1st with the Commission, a report detailing its provision of interstate, intrastate, and international ICS for the prior calendar year.⁵ The Annual ICS Report was established to help the Commission serve its goal of ensuring that each ICS provider's rates are consistent with sections 201 and

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¹ 47 CFR § 64.6060(a).

² See Rates for Interstate Inmate Calling Services, Second Report and Order and Third Further Notice of Proposed Rulemaking, 30 FCC Rcd 12763, 12891, para. 266 (2015) (2015 ICS Order); see also 47 U.S.C. §§ 201(b), 276, 403.

³ Custom Teleconnect, Inc., 34 FCC Rcd 1898 (EB 2019) (NAL).

⁴ Response to Notice of Apparent Liability, Custom Teleconnect, Inc., to Marlene H. Dortch, Secretary, FCC (Apr. 26, 2019) (on file in EB-IHD-18-00027483) (NAL Response).

⁵ 47 CFR § 64.6060(a); 2015 ICS Order, 30 FCC Rcd at 12891, para. 268.

276 of the Communications Act of 1934, as amended (the Act) and the Commission's rules.⁶ The Commission found that the reporting requirements would produce "greater transparency and heightened accountability on the part of ICS providers."⁷

- 3. Factual Background. In the NAL, the Bureau proposed a \$3,000 forfeiture against CTI for willfully violating section 64.6060 of the Commission's rules by its apparent failure to timely file an accurate and complete Annual ICS Report.⁸ Specifically, the Bureau stated that CTI filed a timely but incomplete 2018 Annual ICS Report for the 2017 calendar year, and after CTI received the Bureau's Letter of Inquiry (LOI) investigating this compliance failure, the Company submitted a supplemental report to Commission staff on October 15, 2018.⁹ This supplemental filing was complete but almost seven months late and thus the submission violated the Commission's rules regarding timely filing of Annual ICS Reports. The NAL was subsequently issued on March 27, 2019.
- 4. On April 26, 2019, CTI submitted a response to the *NAL*.¹⁰ CTI claims that since the Commission did not challenge the completeness of its previous Annual ICS Report, the Bureau's assertion of a "willful" violation of the submission of a virtually identical report for the following year is "without basis in fact . . . arbitrary, capricious and/or an abuse of discretion." Moreover, while CTI admits in its LOI Response that CTI "provides Inmate Calling Service as defined in section 64.6000 of the Rules," NAL Response contradicts its LOI Response by stating for the first time that CTI does not believe it is an ICS provider subject to the FCC's annual ICS reporting requirements. Additionally, CTI argues that by accepting its previous Annual ICS Report, the Commission did not provide it with prior notice that CTI was subject to the reporting requirement or that a forfeiture would be imposed where the same amount of data was provided for its previous Annual Report. Based on these arguments, CTI requests the reversal of the preliminary conclusion of the *NAL* that CTI "apparently, willfully violated section 64.6060 of the Rules by failing to timely file its Annual ICS Report by the April 1, 2018 deadline and the withdrawal of the NAL in its entirety." 15

III. DISCUSSION

5. The Bureau proposed a forfeiture in this case in accordance with section 503(b) of the Act, ¹⁶ and section 1.80 of the Commission's rules, ¹⁷ and the Commission's *Forfeiture Policy Statement*. ¹⁸

⁶ 2015 ICS Order, 30 FCC Rcd at 12891, para. 266; see also 47 U.S.C. §§ 201, 276.

⁷ *Id.* at 12892, para. 271.

⁸ *NAL*, 34 FCC Rcd at 1900, para. 5.

⁹ *Id*.

¹⁰ NAL Response.

¹¹ *Id.* at 5.

¹² See Letter from Connie Wightman, Consultant, Inteserra Consulting Group, Inc., Consultants for Custom Teleconnect, Inc. to David Janas, Special Counsel, Investigations and Hearings Division, FCC Enforcement Bureau, at 6 (Oct. 4, 2018) (on file in EBIHD-18-00027483) (LOI Response).

¹³ NAL Response at 5-6.

¹⁴ *Id*. at 9.

¹⁵ *Id.* at 1.

¹⁶ 47 U.S.C. § 503(b).

¹⁷ 47 CFR § 1.80.

¹⁸ The Commission's Forfeiture Policy Statement and Amendment of Section 1.80 of the Rules to Incorporate the Forfeiture Guidelines, CI Docket No. 95-6, Report and Order, 12 FCC Rcd 17087, 17100-01, para. 27 (1997) (Forfeiture Policy Statement), recon. denied, 15 FCC Rcd 303 (1999).

We have fully considered CTI's NAL Response and discuss below why its arguments are unavailing. We therefore affirm the \$3,000 forfeiture proposed in the NAL.

- 6. *Liability*. CTI's failure to timely submit a complete Annual ICS Report by April 1, 2018 for the 2017 calendar year was willful. A violation is "willful" where the violator consciously commits or omits certain actions, separate from any intent to violate the Act or the Commission's rules. ¹⁹ Here, CTI took the conscious step of submitting an incomplete Annual ICS Report on March 28, 2018. After it learned of the Bureau's investigation, CTI submitted a revised Annual ICS Report on October 15, 2018 that included supplemental information not provided in its initial March 28, 2018 submission. CTI states that the October 15, 2018 supplemental Report "was as complete as possible." ²⁰ The supplemental information provided in the October 2018 included *inter alia* the number of jails served by CTI, the ICS rates charged by CTI, and the ancillary service charges assessed to jails by CTI. Accordingly, if the 2017 Report was as complete as possible only when supplemented on October 15, 2018, then the 2017 Report submitted on March 28, 2018 was incomplete, as alleged in the *NAL* and admitted by CTI in its LOI Response. ²¹
- 7. By its own admission, CTI is a provider of Inmate Calling Services.²² As recited in the *NAL*, the Commission's rules define Inmate Calling Service as a "service that allows Inmates to make calls to individuals outside the Correctional Facility where the Inmate is being held, regardless of the technology used to deliver the service."²³ The Bureau's Letter of Inquiry (LOI) ordered CTI to "State whether CTI provides Inmate Calling Service as defined in section 64.6000 of the Rules."²⁴ CTI's complete response to the inquiry was: "CTI provides Inmate Calling Service as defined in section 64.6000 of the Rules."²⁵ Without acknowledging or revising this admission, CTI's NAL Response now states that it does "not consider itself to be an ICS provider subject to the FCC's annual reporting requirement" because it does not provide telecommunications service directly to any prison."²⁶ CTI's new analysis, however, is premised on a theory that adds requirements into the Commission's definition of ICS that do not exist.

¹⁹ See 47 U.S.C. § 312(f)(1) (defining "willful"). The legislative history to section 312(f)(1) of the Act clarifies that this definition of willful applies to both sections 312 and 503(b) of the Act, and the Commission has so interpreted the term in the section 503(b) context. H.R. Rep. No. 97-765, 97th Cong. 2d Sess. 51 (1982) ("This provision [inserted in section 312] defines the terms 'willful' . . . for purposes of section 312, and for any other relevant section of the act (e.g., Section 503) As defined[,] . . . 'willful' means that the licensee knew that he was doing the act in question, regardless of whether there was an intent to violate the law. The definition[] [is] intended primarily to clarify the language in Sections 312 and 503, and [is] consistent with the Commission's application of those terms"); see, e.g., S. Cal. Broad. Co., Memorandum Opinion and Order, 6 FCC Rcd 4387, 4388, para. 5 (1991), recons. denied, 7 FCC Rcd 3454 (1992).

²⁰ NAL Response at 6.

²¹ LOI Response at 3-4.

²² *Id.* at 3.

²³ 47 CFR § 64.6000(j).

²⁴ *See* Letter from Jeffrey J. Gee, Chief, Investigations and Hearings Division, FCC Enforcement Bureau, to William Perna, General Manager, Custom Teleconnect, Inc., at 3 (Aug. 22, 2018) (on file in EB-IHD-18-00027483) (LOI).

²⁵ Moreover, in justifying its request for confidentiality which accompanied CTI's LOI Response, CTI states that it is an "inmate calling service provider which is an extremely competitive field." LOI Response, Cover Letter at 2.

²⁶ NAL Response at 6; *see also* Declaration of Vicki Crowder, Exh. 1 to CTI NAL Response, para. 6 (Crowder Decl.). Despite this change in posture, CTI did not revise their existing LOI in this case record. Thus, CTI is on record as having two divergent positions on whether it is properly classified as an ICS provider.

- 8. In its NAL Response, CTI avers that it does not "consider itself to be an ICS provider" based on the premise that it does "not provide any telecommunications service directly to any prison" and that "[i]n no event does the Company have any legal financial or contractual relationship with a prison."²⁷ In sum, CTI argues that "the purpose of the reporting requirement was to capture data from carriers who provide service pursuant to contracts with those [prison] facilities and who pay commissions to those facilities."²⁸ CTI's new post-*NAL* posture is inconsistent with the plain language of the Commission's definition of ICS. The Commission's definition of an ICS provider does not require the existence of a direct connection between the ICS provider and a correctional facility. In fact, the Commission's *2015 ICS Order* provided that "if a particular service meets the relevant definition in our rules, then it is a form of ICS that is subject to our rules."²⁹ Therefore, CTI's contractual relationships and technological specifications have no bearing upon whether CTI is a provider of ICS and required to file Annual ICS Reports. CTI is an ICS provider under the definition because as CTI has itself stated its services allow "an inmate to make calls outside of the Correctional Facility where the inmate is held."³⁰
- 9. CTI's argument is premised on its belief that it "acts exclusively as a third-party provider of a variety of telecommunications and telecommunications-related services through agreements with companies who have direct contractual relationships with prisons." CTI admits, however, that it charges incarcerated people for calls from correctional facilities to individuals outside those facilities "when the caller or the called party declines to use" the prepaid debit services offered by the provider with the contractual relationship with the correctional facility. CTI also admits that it collects revenues for those calls and then pays the provider having the contractual relationship with the correctional facility "a commission on [those] revenues." CTI's retention of revenues is further evidence that it provides ICS to incarcerated people who make collect calls to individuals outside the facilities where they are incarcerated.

²⁷ NAL Response at 2. Rather, CTI states that it "acts exclusively as a third-party provider of a variety of telecommunications and telecommunications-related services through agreements with companies who have direct contractual relationships with prisons." NAL Response at 3. The Declaration of Vicky Crowder that accompanied the NAL Response adds that "CTI does not have contracts to provide inmate calling services with any jail or prison . .[r]ather, CTI has in the past and currently provides third-party services to ICS providers that, presumably, have contracts with jails and prisons. These services are live operator assistance to inmate friends and family for the purchase of pre-paid collect calls and single-paid collect services to inmates who have not set up a debit account with the contracted ICS provider of the facility, or had a prepaid account set up for them by a friend or family." Crowder Decl. at para. 3. According to CTI, the only calls originating from a prison that CTI charges inmates for are those received by CTI on an ad hoc basis as a default operator service provider (OSP) when the caller or called party declines to use the ICS service prepaid debit services. NAL Response at 6.

²⁸ NAL Response at 6-7.

²⁹ 2015 ICS Order, 30 FCC Rcd at 12884, para. 250.

³⁰ See 47 CFR § 64.6000.

³¹ NAL Response at 3.

³² *Id.* at 6.

³³ Crowder Decl. at para. 5.

³⁴ This retention of revenues also distinguishes CTI's circumstances from the situation before the Wireline Competition Bureau (WCB) in *Universal Service Contribution Methodology, Request for Review by CenturyLink Public Communications, Inc. of Decision of the Universal Service Administrator*, WC Docket No. 06-122, Order, DA 21-986 (WCB Aug. 13, 2021). In that case, the WCB found that Inmate Calling Solutions, LLC (ICSolutions) was "a billing and collection agent" for ICS provided by CenturyLink Public Communications, Inc. (CenturyLink), rather than an ICS provider, because "ICSolutions receive[d] revenue from inmates and families for certain services and *then remit[ed] that revenue*, less a fee for its services, to CenturyLink." *Id.* at para. 10 (emphasis in the

- 10. CTI claims that the Commission failed to address the obligations of entities like CTI that do not provide service directly to inmates through signed agreements with prisons to file Annual ICS Reports.³⁵ If CTI was unclear on whether it was subject to the filing requirements of section 64.6060, the Commission has noted that the "burden is on the provider in the first instance to determine whether it is providing ICS, and if it is not certain, to seek guidance from the Commission, for example in the form of a Declaratory Ruling."³⁶ CTI never sought such Commission guidance. To the contrary, in its response to the LOI, CTI admitted that "[t]he Company is required to file an annual Report as required by section 64.6060 of the Rules."³⁷ Importantly, CTI has never revised its LOI response.³⁸
- By statute, the Commission must provide a party notice and the opportunity to respond, and must fully consider that response before assessing a forfeiture.³⁹ The Commission's Notices of Apparent Liability, including the *NAL* in this case, are the first step in the forfeiture process and, as the name implies, constitute the notice the Commission is obligated to provide a party. In this case, the *NAL* clearly articulated that the proposed forfeiture was based solely on the 2018 late filing. The previous filings were not the subject of the instant investigation. The Company acknowledged a receipt of the *NAL* by certified mail on April 1, 2019. The *NAL* gave CTI 30 days to respond and included staff contact information. The Company submitted its NAL Response on April 26, 2019. Thus, CTI's contentions in its response to the *NAL* that the procedures applied by the Bureau to date have "totally denied Custom Teleconnect any opportunity to be heard or to present evidence" and as such is a violation of CTI's "procedural and substantive due process rights" are baseless.⁴⁰ In addition to the statutorily defined forfeiture process, the LOI, which included Bureau staff contact information, presented CTI with the opportunity to ask any questions regarding the LOI and the inquiries therein.⁴¹
- 12. Lastly, CTI's claims that it was not provided with "prior notice that a forfeiture would be imposed" is patently inaccurate. All regulated entities subject to our rules are on notice of the penalties to be assessed for failure to comply with any and all of the Commission rules. As discussed above, CTI is an ICS provider, and was thus required by the Commission's rules, and on notice, that it must file complete and accurate annual reports by April 1 of each year. Indeed, in its response to the LOI, CTI itself acknowledged its status as an ICS provider. Section 1.80 of the Commission's rules also makes clear that a failure to file required forms or information is subject to a base forfeiture of \$3,000.

original). Here the situation is reversed: CTI retains the revenue it collects for the collect calls it completes (other than the commission it pays to the provider having the contractual relationship with the correctional facility). Crowder Decl. at para. 5.

³⁵ NAL Response at 7.

³⁶ 2015 ICS Order, 30 FCC Rcd at 12884, n.880.

³⁷ LOI Response at 7; *see also* LOI at 4 (directing that "[i]f the Company claims that it is not required to file an annual Report as required by Section 64.6060 of the Rules, state the basis for that claim").

³⁸ See LOI at 7 (Continuing Nature of Inquiries).

³⁹ 47 U.S.C. § 503(b)(4).

⁴⁰ NAL Response at 7.

⁴¹ LOI at 2.

⁴² NAL Response at 9.

⁴³ In addition to its FCC obligations as an ICS provider, CTI also holds an international 214 license (ITC-214-19931126-00220.

⁴⁴ See 47 CFR § 64.6060; see also 47 CFR § 64.6000(j).

⁴⁵ See 47 CFR § 1.80(b)(10), tbl. 1.

Moreover, in the 2013 ICS Order, the Commission specifically reminded ICS providers of their obligation to comply with existing Commission rules.⁴⁶

- 13. CTI alleges that by accepting its previous 2016 Annual ICS Report, the Commission did not provide it with prior notice that a forfeiture would be imposed where the same amount of data was provided for its subsequent Annual ICS Report.⁴⁷ This argument is meritless. An agency generally does not have the resources to act on each technical violation of the statute it is charged with enforcing.⁴⁸ Moreover, section 503(b)(6) of the Act, generally limits the Commission's ability to assess forfeitures for a violation if the violation accrued more than one year prior to the date of issuance of any notice or notice of apparent liability.⁴⁹ Thus, we may, as we did here, limit our review of a licensee's conduct to the time period within the statute of limitations.⁵⁰
- 14. Forfeiture Amount. As CTI is an ICS provider and was able to submit a completed Annual ICS Report for 2017 upon learning of the instant investigation, it is clear that CTI's initial Annual ICS Report for 2017 was incomplete. As this failure was willful, we fine the Company the \$3,000 forfeiture amount proposed in the NAL.⁵¹

IV. CONCLUSION

15. Based on the record before us we conclude that CTI willfully violated section 64.6060 of the Commission's rules and pursuant to section 1.80 of the Commission's rules is liable for a \$3,000 forfeiture of this violation.⁵²

V. ORDERING CLAUSES

- 16. Accordingly, **IT IS ORDERED** that, pursuant to section 503(b) of the Act, and section 1.80 of the Commission's rules, ⁵³ Custom Teleconnect, Inc., **IS LIABLE FOR A MONETARY FORFEITURE** in the amount of three thousand dollars (\$3,000) for willfully violating section 64.6060 of the Commission's rules. ⁵⁴
 - 17. Payment of the forfeiture shall be made in the manner provided for in section 1.80 of the

⁴⁶ Rates for Interstate Inmate Calling Services, Report and Order and Further Notice of Proposed Rulemaking, 28 FCC Rcd 14107, 14169 (2013) (2013 ICS Order).

⁴⁷ NAL Response at 9.

⁴⁸ *Heckler v. Chaney*, 470 U.S. 821, 831 (1985); *see also Fabrice Polynice*, 33 FCC Rcd 6852, para. 14 (2018)("An agency cannot enforce against every violation by every violator, and the agency is in the best position to assess enforcement priorities.").

⁴⁹ 47 U.S.C. § 503(b)(6).

⁵⁰ We note that when proposing forfeitures, the Commission is *required* under section 503(b) of the Act and rule 1.80 to consider among other factors, a violator's history of prior offenses and could have adjusted the forfeiture upward, including offenses outside of statute of limitations. *See* 47 U.S.C. § 503(b)(2)(E); 47 CFR § 1.80 (b)(10). In the *NAL*, we considered the factors and exercised our discretion to leave the forfeiture unchanged. *See NAL* 34 FCC Rcd at 1900, para.6.

⁵¹ See 47 U.S.C. § 503(b)(2)(B)); 47 CFR § 1.80(b)(2). See Amendment of Section 1.80(b) of the Commission's Rules, Adjustment of Civil Monetary Penalties to Reflect Inflation, Order, 35 FCC Rcd 14879 (EB 2020), amended by Erratum, 36 FCC Rcd 1349 (EB 2021); see also Annual Adjustment of Civil Monetary Penalties to Reflect Inflation, 86 Fed. Reg. 3830 (Jan. 15, 2021) (setting January 15, 2021, as the effective date for the increases).

⁵² Any entity that is a "Small Business Concern" as defined in the Small Business Act (Pub. L. 85-536, as amended) may avail itself of rights set forth in that Act, including rights set forth in 15 U.S.C. § 657, "Oversight of Regulatory Enforcement," in addition to other rights set forth herein.

⁵³ 47 U.S.C. § 503(b); 47 CFR § 1.80.

⁵⁴ 47 CFR § 64.6060.

Commission's rules, within thirty (30) calendar days after release of this Forfeiture Order.⁵⁵ Custom Teleconnect, Inc. shall send electronic notification of payment to Georgina Feigen, Enforcement Bureau, Federal Communications Commission, at Georgina.Feigen@fcc.gov on the date said payment is made. If the forfeiture is not paid within the period specified, the case may be referred to the U.S. Department of Justice for enforcement of the forfeiture pursuant to section 504(a) of the Act.⁵⁶

- 18. Payment of the forfeiture must be made by credit card, ACH (Automated Clearing House) debit from a bank account using the Commission's Fee Filer (the Commission's online payment system),⁵⁷ or by wire transfer. The Commission no longer accepts forfeiture payments by check or money order. Below are instructions that payors should follow based on the form of payment selected:⁵⁸
 - Payment by wire transfer must be made to ABA Number 021030004, receiving bank TREAS/NYC, and Account Number 27000001. A completed Form 159 must be faxed to the Federal Communications Commission at 202-418-2843 or e-mailed to RROGWireFaxes@fcc.gov on the same business day the wire transfer is initiated. Failure to provide all required information in Form 159 may result in payment not being recognized as having been received. When completing FCC Form 159, enter the Account Number in block number 23A (call sign/other ID), enter the letters "FORF" in block number 24A (payment type code), and enter in block number 11 the FRN(s) captioned above (Payor FRN). ⁵⁹ For additional detail and wire transfer instructions, go to https://www.fcc.gov/licensingdatabases/fees/wire-transfer.
 - Payment by credit card must be made by using the Commission's Fee Filer website at https://apps.fcc.gov/FeeFiler/login.cfm. To pay by credit card, log-in using the FRN captioned above. If payment must be split across FRNs, complete this process for each FRN. Next, select "Pay bills" on the Fee Filer Menu, and select the bill number associated with the NAL Account the bill number is the NAL Account number with the first two digits excluded and then choose the "Pay by Credit Card" option. Please note that there is a \$24,999.99 limit on credit card transactions.
 - Payment by ACH must be made by using the Commission's Fee Filer website at https://apps.fcc.gov/FeeFiler/login.cfm. To pay by ACH, log in using the FRN captioned above. If payment must be split across FRNs, complete this process for each FRN. Next, select "Pay bills" on the Fee Filer Menu and then select the bill number associated to the NAL Account the bill number is the NAL Account number with the first two digits excluded and choose the "Pay from Bank Account" option. Please contact the appropriate financial institution to confirm the correct Routing Number and the correct account number from which payment will be made and verify with that financial institution that the designated account has authorization to accept ACH transactions.
- 19. Any request for making full payment over time under an installment plan should be sent to: Chief Financial Officer Financial Operations, Federal Communications Commission, 45 L Street NE, Washington, D.C. 20554.⁶⁰ If you have questions regarding payment procedures, please contact the

⁵⁵ 47 CFR § 1.80.

⁵⁶ 47 U.S.C. § 504(a).

⁵⁷ Payments made using the Commission's Fee Filer system do not require the submission of an FCC Form 159.

⁵⁸ For questions regarding payment procedures, please contact the Financial Operations Group Help Desk by phone at 1-877-480-3201 (option #6), or by e-mail at <u>ARINQUIRIES@fcc.gov</u>.

⁵⁹ Instructions for completing the form may be obtained at http://www.fcc.gov/Forms/Form159/159.pdf.

⁶⁰ See 47 CFR § 1.1914.

Financial Operations Group Help Desk by phone, 1-877-480-3201, or by e-mail, <u>ARINQUIRIES@fcc.gov</u>.

20. **IT IS FURTHER ORDERED** that a copy of this Forfeiture Order shall be sent by first class mail and certified mail, return receipt requested, to Neil S. Ende, Technology Law Group, LLC, 5335 Wisconsin Avenue, NW, Suite 440, Washington, D.C. 20015, and Vicki Crowder, President, Custom Teleconnect, Inc., 6242 West Desert Inn Road, Las Vegas, NV 89146.

FEDERAL COMMUNICATIONS COMMISSION

Rosemary Harold Chief Enforcement Bureau